

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JUNE 22, 2004**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, June 22, 2004, commencing at 7:02 a.m.

A. ROLL CALL

Present: Council Members – Beckman, Howard, Land, and Mayor Hansen

Absent: Council Members – Hitchcock

Also Present: City Manager Flynn, Interim City Attorney Schwabauer, and City Clerk Blackston

B. CITY COUNCIL CALENDAR UPDATE

City Clerk Blackston reviewed the weekly calendar (filed).

C. TOPIC(S)

C-1 "Review draft fiscal year 2004-05 Financial Plan and Budget"

City Manager Flynn recalled that he had been quoted in the newspaper as saying that adopting the budget in June was not significant. He stated that it was not true because of the historical significance of always having done so in the past.

Deputy City Manager Keeter noted that on May 19 the Budget Advisory Committee and City Manager presented recommended adjustments for the budget. On June 2, the draft budget document was released. Consideration to adopt the budget will be made on July 21.

Finance Director Krueger reviewed the following information from the draft budget document:

- The General Fund ending fund balance is \$4.8 million;
- There are recurring adjustments to expenditures of \$3,348,000;
- Revenue adjustments are \$1,881,000;
- One-time expenditure adjustments are \$417,000;
- Other adjustments (primarily transfers) amount to \$1,122,000; and
- The total recurring expenditure adjustment of \$3.3 million and one-time adjustment of \$3,690,000 amounts to a net surplus of \$3,034,000.

Mr. Flynn summarized that savings in the General Fund Capital are being used to fill in the gap (\$1.3 million deficit) for the next two years. He stated that there will have to be a fundamental change to the budget if the City is going to have a healthy organization into the future. He recalled that earlier in the year he suggested a mandatory furlough program; however, that would be only a one-time adjustment, which would not correct the fundamental problem. Similarly, a pay cut would be a one-time adjustment. If the City's strategy is to wait for economic growth, then it must "hold the line" in terms of staff growth. He determined that the City has added more staff than it has the capacity to manage. During the last seven years, the Fire Department has added 15 positions and Public Works has added 20. The recommended budget will be balanced and add to reserves next year in the General Fund; however, funding will be drawn from the Capital accounts. He cautioned about potential impacts from Stockton's movement toward Eight Mile Road and its commercial corridor from Interstate 5 to Highway 99. In addition, Elk Grove is planning on building the second largest retail mall in the United States. This activity will attract business out of the City of Lodi. He noted that "no growth" communities have higher tax rates. Lodi needs to update its general plan at an estimated cost of \$1 million. He recommended that Council give approval to charge it to the General Fund Capital so that it can proceed.

Mr. Krueger distributed documents entitled Options for Structural Deficit and Budget Comments – Support (both filed).

Mayor Pro Tempore Beckman stated that the “Comments” report incorrectly reflected his position. With the exception of the 911 fees and ¼ cent sales tax, he supported all other recommended cost savings measures.

Mr. Krueger believed that transfers from the Capital Outlay Fund would be a responsible way to deal with the General Fund budget, and additional action does not need to be taken at this time. He recommended that a long-term look be conducted, taking into consideration the City survey results and priorities of programs that each department accomplishes. He commented that to alleviate the \$1.3 million deficit it would require a 6% reduction in pay or a 10% reduction in hours worked.

Mr. Krueger reported that in the Library Fund an adjustment was made that would reduce property tax revenues of \$45,120, which is the library’s share of the state takeaway. Corresponding with the reduction in revenues is a \$32,911 reduction in expenditures.

Library Director Nancy Martinez stated that the Library Board would like to spend monies in the way it feels would best serve the community and, at this point, believes that the decrease in funding can be absorbed without a reduction in hours of service.

Mr. Krueger stated that staff recommends transferring \$2,062,000 from the Capital Outlay Fund to the General Fund, which will leave a fund balance of \$8,948,000 in the Capital Outlay Fund. Of that balance, \$1,679,000 is needed for debt service. Impact fees are the largest portion of the remaining balance of \$7,269,000. Mr. Krueger suggested that police facilities impact fees be used, as collected, to pay a portion of the debt service over time. He noted that the Transportation Development Act Fund had a small deficit that has been alleviated.

Council Member Land felt that passing the City’s budget on time was more than historically significant, it was fiscally responsible. He objected to the assertion at a previous meeting by Council Member Hitchcock that his vote, and that of Council Member Howard’s, was not as important as hers because they only have five more months left to serve on the Council. He contended that every Council Member has an equal voice on the Council and on decision making. He asked Council to reconsider adopting the budget on June 30.

Mayor Pro Tempore Beckman recalled that all five Council Members were present when the consensus was made to consider adoption of the budget on July 21.

Council Member Howard expressed agreement with Mr. Land’s comments.

D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

E. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:26 a.m.

ATTEST:

Susan J. Blackston
City Clerk